

Equity Building on DORAL. . . .

. . . It's Working

(February, 1996)

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"Equity Building" on DORAL is Working!!

1. DORAL is Bigger and More Profitable Today

- Both total MAM & MAM per M are up -vs- 1992
- Total spending on a per M basis is lower versus previous years despite equity investment for '94 & '95
- Volume, SOM, and SOS have grown year to year over the last three years

2. DORAL is Less Reliant on Discounting (it is still important)

- Discounting on a per M basis in 1994 & 1995 is significantly below previous years
- % of total spending that is discounting has decreased every year since 1992 (89% → 61%)
- Average coupon values and % volume promoted has decreased and somewhat stabilized
- % PV mix has moved from discounting only to a mix of discounting and promotion

3. Net Retail Price of DORAL Has Increased on Average Over the Past Two Years

- Despite price rollback
- Without benefit of frequent price increases

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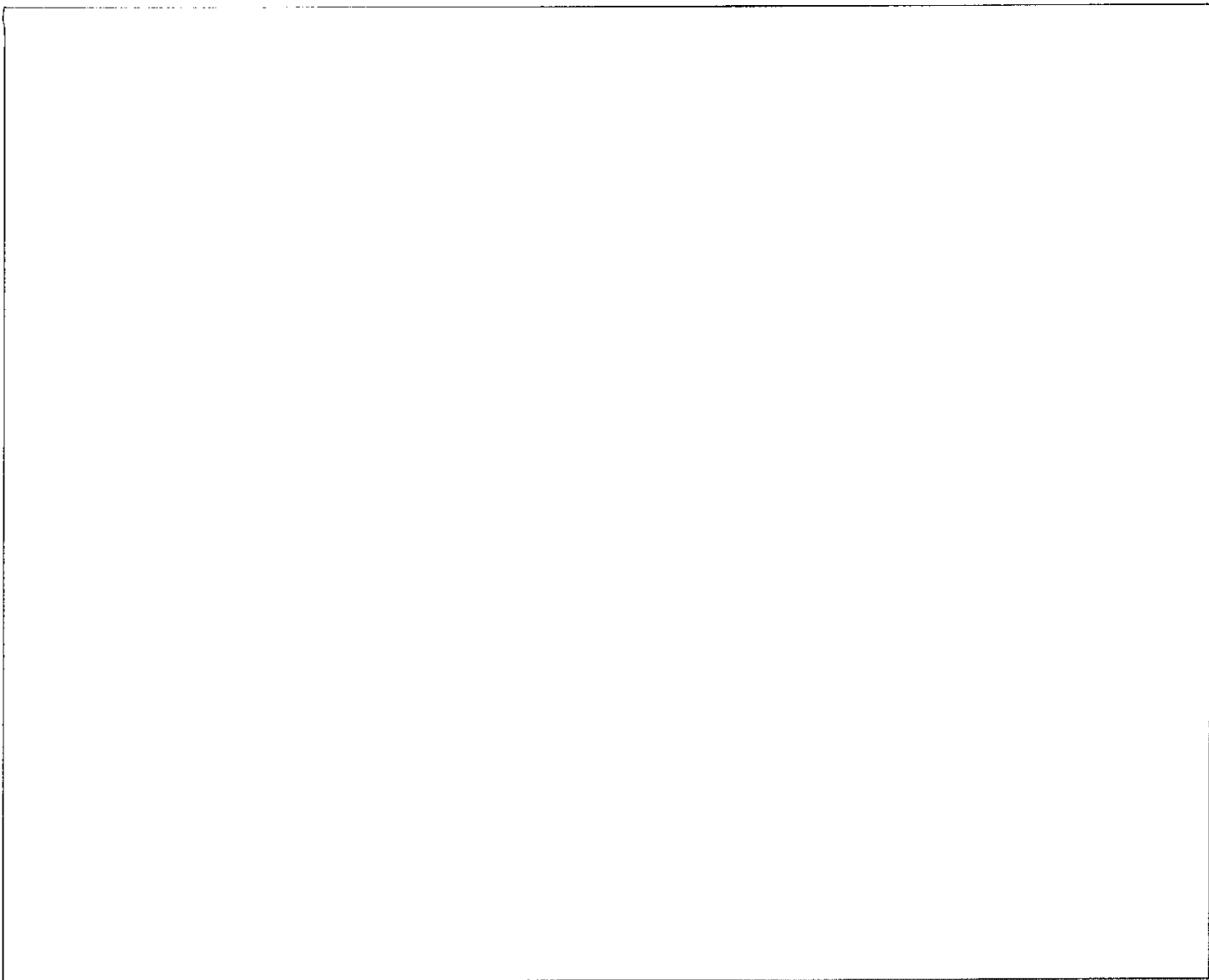
4. Buyer Dynamics are Extremely Strong and Growing

- More UB's with higher share of requirement
- More occasional users and "triers"
- Conversion results of OCU's that are unprecedented
- 3MM buyers -vs- 2.5MM a year ago
- Much stronger buyer base than either GPC or Basic
 - more UB's/more loyal
 - more equity driven than "price"

5. DORAL's Positioning is Effective

- Prime prospect consumers are aware of, understand, and motivated by positioning (high awareness; strong attribute play-back of positioning; improved opinion)
- Purchase intent is higher among those aware of brand/positioning
- Increased buyer base and conversion success driven by brand positioning

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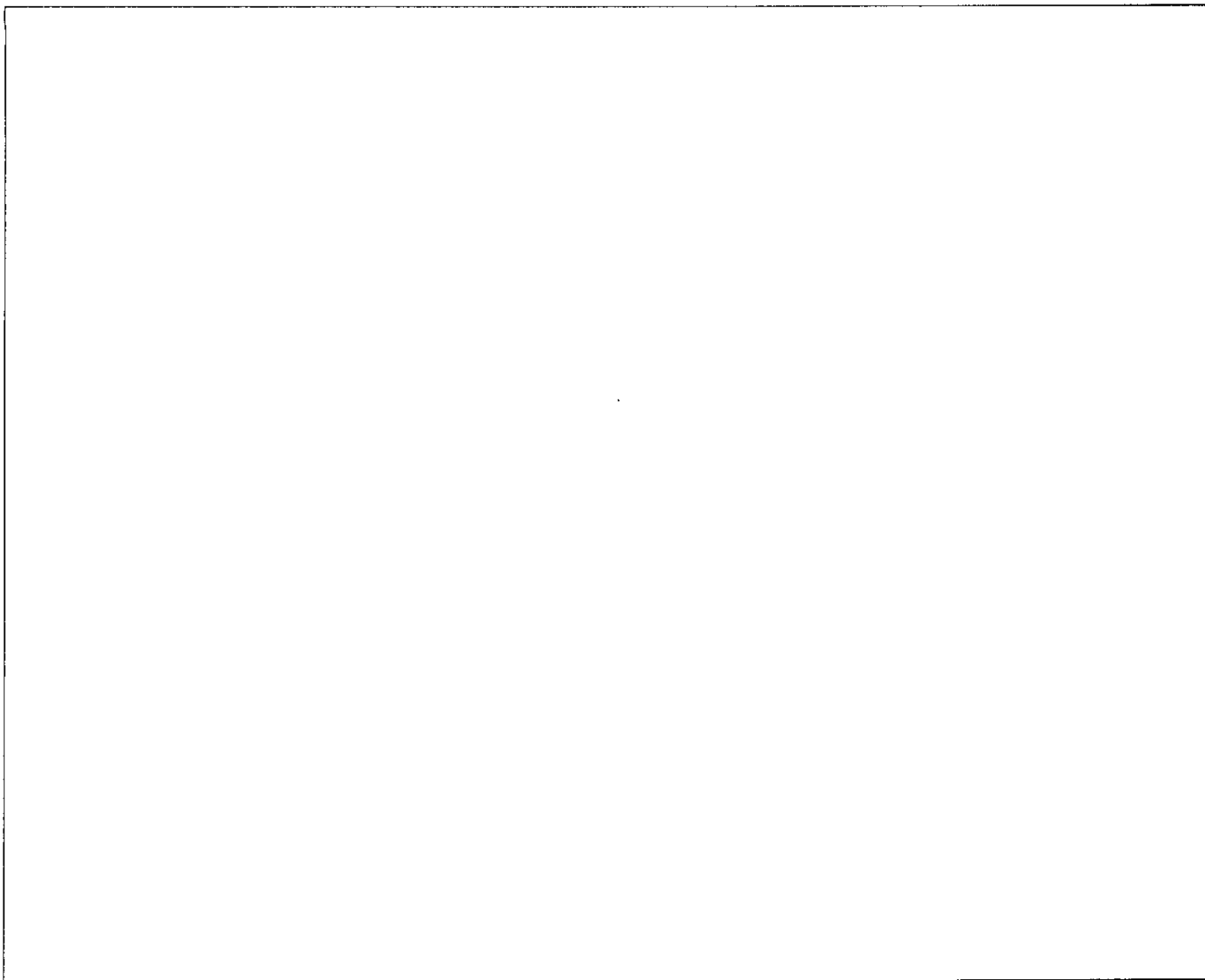
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6. Key Competitor Performance, Strategy and Profitability Support DORAL's Efforts**GPC***Positioning: Big brand at low price (real taste, real deal)**Strategy: Mass presence; mass availability (lower volume calls); low price**Profitability: Less profitable than DORAL**Performance: Growth trend, but slower than DORAL***Basic***Positioning: Tastes good, cost less. . . your Basic cigarette**Strategy: Q1-Q3 '95 → Heavy proposition communication; heavy promotion; mass presence; less discounting
Q4 '95-1996 → Same as Q1-Q3 plus more discounting**Profitability: Q1-Q3 '95 → More profitable than DORAL on per M basis
Q4 '95-1996 → More in line with DORAL**Performance: Q1-Q3 '95 → Flat
Q4-1996 → Growth via a more balanced strategy*

Net. . . *GPC is growing at lower margins with little equity; Basic is moving to more of a balanced (DORAL) strategy in order to grow.*

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MARLIN Share Summary

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1995 -vs- 1993</u>	
				<u>Diff.</u>	<u>%</u>
SOM (MARLIN)	4.03%	4.59%	5.24%	1.21	30.0%
SOSAV (MARLIN)	12.76%	15.20%	17.74%	4.98	39.0%

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